

PUBLIC DISCLOSURE

May 4, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PeoplesBank
Certificate # 90213

314 High Street
Holyoke, Massachusetts 01040

Division of Banks
1000 Washington St, 10th Floor
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

<p>NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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INSTITUTION RATING

INSTITUTION'S CRA RATING: Satisfactory by the FDIC and the Division.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table provides the performance level of PeoplesBank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	<u>PeoplesBank</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			

*Note: The Lending Test is weighted more heavily than the Service and Investment Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” rating for the three tests. For purposes of this jointly issued public evaluation, the term “Satisfactory” will be used in lieu of the “Low Satisfactory” rating for the Lending, Investment, and Service Test ratings, as the Division does not have a “Low Satisfactory” rating.

Lending Test

The Lending Test is rated “Satisfactory” based on the following:

- Lending levels reflect good responsiveness to assessment area credit needs.
- A high percentage of home mortgage and small business loans were made within the assessment area.
- The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.
- The bank originated an adequate level of community development loans.
- The bank uses innovative and flexible lending programs to assist in meeting the credit needs of its assessment area.

Investment Test

The Investment Test is rated “High Satisfactory” based on the following:

- During the evaluation period, the bank made a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community development needs in the assessment area.
- PeoplesBank occasionally uses innovative and/or complex investments to support community development initiatives.

Service Test

The Service Test is rated “High Satisfactory” based on the following:

- Delivery systems are reasonably accessible to essentially all portions of the assessment area.
- To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- The bank’s business hours and services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The institution provides a relatively high level of community development services.

PERFORMANCE CONTEXT

Description of Institution

PeoplesBank is a full-service stock savings bank headquartered in Holyoke, Massachusetts. The bank was founded in 1885 as a mutual savings bank and was converted to stock ownership in 2003. PeoplesBancorp, MHC, headquartered in Holyoke, Massachusetts, is the sole stockholder of PeoplesBank. The bank maintains several subsidiaries: PBHQ Whitney, Inc., which manages the bank's headquarters facility; Arundo, Inc., a Massachusetts securities corporation; TNOP, Inc., which holds other real estate owned property; PB Partners, Inc., a Massachusetts securities corporation; and NEFWC, Inc., an entity formed to manage a low-income housing investment in Springfield, MA.

The bank offers products and services through its main office located at 314 High Street in Holyoke, Massachusetts. In addition to the main office, the bank operates 18 full-service branch offices. There are fourteen offices located in Hampden County consisting of five in Springfield; two each in Holyoke, Chicopee, and Longmeadow; and one each in East Longmeadow, West Springfield, and Westfield. Hampshire County has five offices consisting of two in South Hadley and one each in Amherst, Hadley, and Northampton. Hampden and Hampshire Counties are within the Springfield, Massachusetts (MA) Metropolitan Statistical Area (MSA) in western Massachusetts.

In addition, PeoplesBank operates 25 automated teller machines (ATMs) accessible at each branch and 8 remote ATMs that do not take deposits. Alternative delivery systems include online and mobile banking. The bank opened a full-service branch with an ATM in Northampton in September 2013. PeoplesBank did not close any branches since the last exam.

The bank offers a variety of loan products including residential real estate, commercial real estate, commercial and industrial loans, loans secured by investment properties, home equity lines of credit, construction loans, and consumer loans. The bank also offers standard deposit products for consumers and commercial customers.

PeoplesBank has total assets of \$1.9 billion as of December 31, 2014, increasing 16.3 percent since the previous evaluation. Assets primarily consist of loans at 66.7 percent and securities at 25.1 percent. Asset growth reflects a 35.3 percent increase in loans and a 15.4 percent decrease in securities since the previous evaluation. The following table details the loan portfolio distribution.

Table 1 Loan Portfolio Distribution as of December 31, 2014		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
1-4 Family Residential Construction Loans	1,313	0.1
Other Construction Loans and All Land Development and Other Land Loans	69,024	5.3
Secured by Farmland (including Farm Residential and Other Improvements)	0	0.0
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	56,448	4.4
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	446,470	34.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr Liens	18,079	1.4
Secured by Multifamily (5 or more) Residential Properties	115,854	9.0
Loans Secured by Owner-Occupied Nonfarm Nonresidential Properties	49,103	3.8
Loans Secured by Other Nonfarm Nonresidential Properties	444,230	34.4
Commercial and Industrial Loans	72,657	5.6
Consumer Loans	2,102	0.2
Obligations of States and Political Subdivisions	16,455	1.3
Total Loans	1,291,735	100.0

Source: Consolidated Reports of Condition and Income (Call Report) as of December 31, 2014

As reflected in Table 1, PeoplesBank is primarily a real estate lender with 49.3 percent of loans secured by one-to-four family and multifamily residential properties. Commercial lending, at 43.8 percent of the portfolio, represents the second most significant loan category. Overall, the loan portfolio distribution remains consistent from the last examination. The bank continues to focus equally on residential lending and commercial lending.

The institution was last evaluated on November 7, 2011 as a large bank, and was rated “High Satisfactory” by the Division and “Satisfactory” by the FDIC. There are no apparent financial or legal impediments affecting the bank’s ability to meet community credit needs.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. PeoplesBank's assessment area, as currently defined, meets the technical requirements of the CRA regulation. Based on the location of its 19 branches, The bank defined a single contiguous assessment area that includes all of Hampden and Hampshire Counties. The area contains 41 cities and towns and 139 census tracts in the Springfield, MA MSA. The population of the assessment area is 621,570, and includes 149,160 households that are families. Demographic information below reflects boundaries for the Springfield, MA MSA effective in 2014.

Census Tract Income Levels

Each of the area's 139 census tracts receives an income level based on the median family income (MFI) of the tract as compared to the MFI for the Springfield, MA MSA as of the 2010 United States (U.S.) Census. The four income levels include:

- Low-Income: Less than 50 percent of MFI;
- Moderate-Income: At least 50 percent but less than 80 percent of MFI;
- Middle-Income: At Least 80 percent but less than 120 percent of MFI;
- Upper-Income: 120 percent or greater of MFI.

The *Geographic Distribution* section of the Lending Test evaluates the bank's lending pursuant to these designations. Table 2 depicts the number and percentage of assessment area census tracts at each income level.

Table 2		
Distribution of Census Tracts by Income Level		
Census Tracts	#	%
Low	22	15.8
Moderate	26	18.7
Middle	48	34.5
Upper	41	29.5
NA Income	2	1.5
Total	139	100.0

Source: 2010 U.S. Census Data

The low-income census tracts are in Amherst (1), Chicopee (1), Holyoke (6), and Springfield (14). The moderate-income census tracts are located in Chicopee (4), Holyoke (3), Springfield (14), Westfield (2), and Northampton, Ware, and West Springfield with 1 each. The area's three largest cities, Springfield, Chicopee, and Holyoke, contain 87.5 percent of low- and moderate-income tracts. There are two census tracts with no income designation; one in Amherst encompasses a large university, while the other in Northampton includes a college and a correctional institution.

Median Family Income Levels

The *Borrower Profile* section of the Lending Test considers the distribution of residential mortgage loans to individuals of different income levels, focusing on loans to low- and moderate-income borrowers. This analysis is based on MFI levels for the Springfield, MA MSA that have been annually adjusted for inflation and other economic events by the Federal Financial Institutions Examination Council (FFIEC). The FFIEC-adjusted MFI for the Springfield MA,

MSA was \$66,100 in 2013 and \$66,000 in 2014. For the review period, a moderate-income family earned at most \$52,880 and a low-income family earned at most \$33,000 annually. Table 3 depicts the distribution of families by income level.

Table 3		
Number and Percentage of Families by Income Level		
Family Income Level	#	%
Low	35,256	23.6
Moderate	23,974	16.1
Middle	28,457	19.1
Upper	61,473	41.2
Total	149,160	100.0
Families Below the Poverty Level	17,232	11.6

Source: 2010 U.S. Census Data

Based on data in Table 3, 48.9 percent of low-income families are below the poverty level. This reduces opportunities to make loans to low-income borrowers, as these families would not likely qualify for a home mortgage loan.

Housing Characteristics

According to the 2010 U.S. Census data, there were 253,927 housing units in the assessment area. The area consists of 151,878 owner-occupied units, which represents 59.8 of total housing units. The vacancy rate is relatively high at 9.3 percent. Table 4 illustrates additional housing characteristics within the bank's assessment area.

Table 4							
Select Housing Characteristics by Income Category of Census Tract							
Census Tract Income Level	Percentage				Median		
	Housing Units	Owner-Occupied	Renter-Occupied	Vacant Units	Age	Home Value	Gross Rent
Low	11.9	3.3	25.4	22.5	64	\$152,978	\$627
Moderate	20.3	15.4	27.5	27.7	64	\$158,858	\$774
Middle	37.5	41.4	31.5	32.1	51	\$210,545	\$792
Upper	30.3	40.0	15.5	17.7	44	\$280,001	\$873
NA	0.0	0.0	0.1	0.0	46	\$0	\$191
Total or Median	100.0	100.0	100.0	100.0	53	\$231,936	\$756

Source: 2010 U.S. Census Data

Lending opportunities in low-income census tracts were limited given the small number of owner-occupied properties located in these geographies. As shown in Table 4, the low-income census tracts accounted for only 3.3 percent of owner-occupied units compared to 25.4 percent of rentals and 22.5 percent of vacant units. Similarly, moderate-income tracts contain a higher percentage of rental and vacant units than owner-occupied units.

Recent data obtained from The Warren Group shows a wide range of median home sales prices throughout the assessment area. As of 2013, the median home sales price was highest in Longmeadow, MA at \$297,500 and lowest in Springfield, MA at \$120,000. In 2014, median home sales prices in Springfield, MA remained the lowest at \$120,000, while the median home sales price in Longmeadow, MA increased 10.8 percent to \$329,700. Home prices did not rise in

all municipalities from 2013 to 2014. For example, the median home sales price in Amherst, MA decreased from \$295,000 in 2013 to \$275,000 in 2014.

Unemployment

Unemployment rates fluctuated significantly by city and town. According to the 2010 U.S. Census Data, the unemployment rates in Hampshire and Hampden County were 7.2 percent and 9.5 percent, respectively. The high unemployment rates in Springfield, MA (14.2 percent) and Holyoke, MA (13.1 percent) elevated the Hampden County rate. The unemployment rate for the Springfield MSA is 8.9 percent, which is well above the statewide rate of 7.3 percent. However, the Bureau of Labor and Statistics indicated the 2014 annual unemployment rate for the Springfield, MA MSA is 6.8 percent, reflecting an improving economy during the review period.

Business and Industry

D&B indicates the assessment area contained 43,747 non-farm businesses in 2013. In 2014, non-farm businesses decreased by 10.1 percent to 39,338, with 71.6 percent reporting gross annual revenues (GARs) of \$1 million or less. Of total non-farm businesses, 14.3 percent are located in low-income geographies and 17.5 percent are in moderate-income geographies. Nearly two thirds of businesses employed less than five people. The services industry represented the largest portion of businesses at 44.8 percent, followed by retail trade at 13.8 percent. Major employers include Baystate Health, University of Massachusetts at Amherst, and Massachusetts Mutual Life Insurance Company.

Competition

The residential mortgage market is highly competitive in the assessment area. In 2013, Home Mortgage Disclosure Act (HMDA) aggregate data showed 325 financial institutions originated or purchased at least one HMDA-reported loan in the area. Collectively, these 325 financial institutions originated or purchased 18,596 home mortgage loans totaling \$3.3 billion. Among all HMDA reporting institutions, the bank ranked 7th with a market share of 3.1 percent. The top three home mortgage lenders were Wells Fargo Bank, N.A. (8.5 percent), Bank of America N.A. (4.6 percent), and Easthampton Savings Bank (4.3 percent).

Commercial lending is also highly competitive in the area. According to CRA aggregate data, which comprises all CRA data reporters, 55 financial institutions originated or purchased small business loans within the assessment area. Large national financial institutions dominate this market through business credit cards. American Express, FSB ranked 1st in the assessment area with a 20.2 percent market share. The bank ranked 24th among the 55 reporting institutions

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities are available. Examiners contacted an individual representing an organization that provides affordable housing, homeownership, and small business development services in Hampshire County.

The contact indicated there were a number of community needs and challenges facing the assessment area. Primary needs consist of accessibility and sustainability of affordable housing, flexible loan products for first-time homebuyers, and foreclosure prevention. In addition, student loan debt is the biggest challenge to homeownership for those trying to remain in the community.

The contact also noted the need for job creation and financial education for small businesses and entrepreneurs.

Overall, the contact indicated financial institutions are involved in the community, but hoped banks would offer more flexible lending products. For example, the One Mortgage offered by MassHousing Partnership or the Buy Cities Now program through MassHousing provide residents affordable opportunities to remain in their communities. The contact also mentioned the Federal Home Loan Equity Builder Program. PeoplesBank offers several of these programs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the accessibility and sustainability of affordable housing is a primary need for the assessment area. In addition, low- and moderate-income individuals require flexible loan products, such as low down payment, to purchase homes in the area. Opportunity exists for originating flexible lending products, especially in Holyoke and Springfield. These cities contain a high number of low- and moderate-income areas and individuals.

The area includes small business lending opportunities. These businesses also need financial education. Furthermore, community contact information and demographic data reflect a need for revitalization and stabilization projects throughout the area, particularly in Holyoke and Springfield.

SCOPE OF EXAMINATION

Examiners used Interagency Large Bank Examination Procedures to evaluate PeoplesBank's CRA performance. These procedures include a Lending Test, Investment Test, and a Service Test. The Lending Test considered home mortgage and small business lending activities for 2013 and 2014; community development loans, innovative and flexible lending products, qualified investments and community development services were evaluated since the last CRA evaluation, dated November 7, 2011.

Examiners analyzed the following product lines within the noted timeframes. Based on the bank's business focus and origination activity, these represent the bank's primary product lines.

- The evaluation considered residential loans from January 1, 2013 through December 31, 2014, as reported by PeoplesBank on its HMDA loan application register (LAR). The HMDA LARs include all home mortgage, refinance, and home improvement loans originated by the institution. The bank made 701 loans totaling \$183.9 million in 2013, and 522 loans totaling \$135.5 million in 2014. The evaluation compared the bank's 2013 lending performance to demographic data and HMDA aggregate data, which includes all reported loans within the assessment area. Since 2013 represents the most recent year of available aggregate data, the evaluation compared the bank's 2014 lending performance to demographics only in order to determine trends.
- The evaluation considered small business loans from January 1, 2013 through December 31, 2014, including commercial real estate and commercial and industrial loans with original balances of \$1 million or less. As a large bank under the CRA, the bank reports these loans on a loan register. The bank made 93 loans totaling \$24.5 million in 2013, and 97 loans totaling \$21.1 million in 2014. Similar to HMDA aggregate data, 2013 represents the most recent year for aggregate small business loan data. The evaluation compared the bank's 2014 lending performance to demographics to determine trends.

Considering the composition of the loan portfolio and lending activity during the evaluation period, examiners placed more weight on residential lending than small business lending when arriving at overall conclusions and the rating under the Lending Test. In addition, small farm loans were not reviewed, as the bank does not engage in agricultural lending. For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans; however, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates an institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area; (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area; (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the distribution of small business and small farm loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices. Performance under the Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The bank's overall Lending Test performance rating is Satisfactory. The sections below discuss the bank's performance under each criterion.

Lending Activity

PeoplesBank's lending levels reflect good responsiveness to assessment area credit needs. The following sections discuss the bank's performance by product type.

Home Mortgage Loans

In 2013, PeoplesBank originated 581 home mortgage loans totaling \$123.0 million in the assessment area, ranking 7th with a 3.1 market share among all HMDA-reporting lenders. Four of the six lenders ranked ahead of the bank were much larger financial institutions that operate nationally. These institutions included Wells Fargo, N.A.; Bank of America, N.A.; JP Morgan Chase Bank, N.A.; and United Bank. Collectively, these six accounted for one quarter of total lending activity in the area in 2013. Easthampton Savings Bank (3rd) and Florence Savings Bank (4th) were the only local competitors to outperform the bank. Although smaller than PeoplesBank, these local institutions have a higher concentration of residential lending based on their loan portfolio distributions.

In 2014, PeoplesBank's originations decreased to 355 loans totaling \$62.6 million. Lending decreased from 2013 levels due to generally increasing mortgage rates reducing refinance loan demand.

Small Business Loans

In 2013, PeoplesBank originated 77 loans totaling \$18.2 million within the assessment area. The bank ranked 24th among 55 reporters in the area by number of loans, with a 0.9 percent market share. By dollar volume, however, the bank ranked 5th largest with a 4.9 percent market share. Many of the lenders ranked ahead of the bank were larger financial institutions or credit card banks that typically originate numerous credit lines in lower dollar amounts. The area's top small business lenders include American Express, FSB; FIA Card Services; Citibank, N.A.; G.E. Capital Retail Bank, Capital One Bank (USA), N.A.; and Chase Bank, N.A. These lenders typically have average loan sizes equal to or less than \$12,000. Local institutions such as Easthampton Savings Bank and Florence Savings Bank outranked PeoplesBank. The level of lending remained steady by number in 2014, with a slight drop in dollar volume to \$15.8 million.

Assessment Area Concentration

The bank originated a high percentage of home mortgage and small business loans inside its assessment area. Table 5 illustrates the percentage, by number and dollar volume, of loans originated inside and outside the assessment area.

Table 5 Assessment Area Concentration										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
Home Mortgage Loans										
2013										
Home Purchase	205	81.0	48	19.0	253	51,660	67.2	25,206	32.8	76,866
Refinance	285	81.7	64	18.3	349	49,388	64.1	27,656	35.9	77,044
Home Improvement	91	91.9	8	8.1	99	21,952	73.2	8,042	26.8	29,994
Total	581	82.9	120	17.1	701	123,000	66.9	60,904	33.1	183,904
2014										
Home Purchase	225	65.6	118	34.4	343	44,420	45.9	52,367	54.1	96,787
Refinance	87	68.5	40	31.5	127	14,532	44.2	18,315	55.8	32,847
Home Improvement	43	82.7	9	17.3	52	3,648	62.0	2,235	38.0	5,883
Total	355	68.0	167	32.0	522	62,600	46.2	72,917	53.8	135,517
Total Home Mortgage	936	76.5	287	23.5	1,223	185,600	58.1	133,821	41.9	319,421
Small Business Loans										
2013	77	82.8	16	17.2	93	18,240	74.3	6,305	25.7	24,545
2014	78	80.4	19	19.6	97	15,795	74.7	5,339	25.3	21,134
Total Small Business	155	81.6	35	18.4	190	33,935	74.5	11,594	25.5	45,529
Grand Total	1,091	77.3	322	22.7	1,410	281,672	62.8	167,047	37.2	448,719

Source: 2013 and 2014 HMDA LARs and Small Business Loan Registers

Despite a substantial decrease in assessment area loans in 2014, the bank increased lending outside the assessment area due 112 purchased loans, nearly all of which were outside the assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Despite strong performance in small business lending to low-income tracts, the bank's adequate performance in home mortgage lending had more influence on the criterion conclusion. The following sections discuss the bank's performance under this criterion by loan type.

Home Mortgage Loans

Table 6 presents the distribution of assessment area loans by tract income level. Table 6 also presents the percentage of owner-occupied units and aggregate lending data for comparative purposes. The bank's lending demonstrates adequate distribution throughout the assessment area.

Table 6 Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	Total Owner-Occupied Housing Units	Aggregate Lending Data 2013	2013 Bank		2014 Bank	
	%	% of #	#	%	#	%
Low	3.3	2.4	17	2.9	8	2.3
Moderate	15.4	14.2	63	10.8	47	13.2
Middle	41.3	39.8	216	37.2	128	36.1
Upper	40.0	43.6	285	49.1	172	48.4
NA	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	581	100.0	355	100.0

Source: 2013 and 2014 HMDA LARs, 2013 aggregate data, and 2010 U.S. Census Data

The bank's 2013 lending in low-income census tracts slightly exceeded aggregate data and was slightly below the number of owner-occupied housing units within those tracts. The bank ranked 6th with a 3.7 percent market share among 79 lenders in the low-income tracts. The top three lenders were Wells Fargo Bank, N.A. (13.4 percent), Bank of America, N.A. (10.1 percent), and RBS Citizens, N.A. (7.0 percent). In 2014, the bank's performance decreased to 2.3 percent, remaining below the percentage of owner-occupied units.

The bank's 2013 lending in moderate-income tracts was below aggregate data and the number of owner-occupied housing units within those tracts. The bank ranked 10th with a 2.4 percent market share among 155 lenders in the moderate-income tracts. The top three lenders were Wells Fargo Bank, N.A. (10.9 percent), Bank of America, N.A. (7.1 percent), and JPMorgan Chase Bank, N.A. (5.0 percent). In 2014, the bank's performance increased to 13.2 percent, but remained below demographics. Despite the unfavorable comparison to aggregate data, the bank's market rank in 2013 and positive trend in 2014 in moderate-income tracts reflect reasonable performance.

Small Business Loans

Table 7 presents the distribution of small business loans by tract income level. The table also includes the percentage of businesses and aggregate lending for comparative purposes. PeoplesBank's lending reflects good distribution throughout the assessment area. Strong performance in the low-income areas primarily contributed to this conclusion.

Table 7 Distribution of Small Business Loans by Census Tract Income						
Census Tract Income Level	2013 Businesses	2013 Aggregate Lending Data	2013 Bank		2014 Bank	
	%	%	#	%	#	%
Low	14.3	4.8	16	20.8	11	14.1
Moderate	17.5	16.4	14	18.2	13	16.7
Middle	33.7	39.1	29	37.6	30	38.4
Upper	34.3	37.2	18	23.4	24	30.8
NA	0.2	2.5	0	0.0	0	0.0
Total	100.0	100.0	77	100.0	78	100.0

Source: U.S. Census (2010), Small Business Loan Registers (2013 & 2014), and Aggregate Data (2013)

In 2013, the distribution of loans in low-income tracts exceeded the percentage of businesses and significantly exceeded the percentage of aggregate lending in these areas. The bank ranked 18th with a 1.6 percent market share among 37 reporting institutions. The top three lenders were American Express, FSB (22.6 percent), FIA Card Services (7.7 percent), and Texas Capital Bank (7.6 percent). The bank's lending in low-income tracts decreased in 2014, but was similar to the percentage of businesses.

The bank's lending distribution in moderate-income tracts in 2013 slightly exceeds the percentage of businesses and the percentage of aggregate lending in these tracts. The bank ranked 19th with a 1.1 percent market share. The top three lenders in moderate-income census tracts were American Express, FSB (18.3 percent market share), GE Capital Retail Bank (10.8 percent), and Citibank, N.A. (8.7 percent). The bank's percentage of loans in moderate-income tracts decreased slightly in 2014, falling slightly below the percentage of businesses.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The following sections discuss the bank's performance under this criterion by loan type.

Home Mortgage Loans

Table 8 presents bank lending by borrower income level. The table also includes the percentage of total families and aggregate lending for comparative purposes. The bank's lending demonstrates adequate penetration among borrowers of different income levels.

Table 8 Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	Total Families	2013 Aggregate Lending Data	2013 Bank		2014 Bank	
	%	%	#	%	#	%
Low	23.8	6.0	28	4.8	19	5.4
Moderate	16.2	17.5	100	17.2	46	13.0
Middle	19.2	24.3	139	23.9	92	25.9
Upper	40.8	39.2	297	51.2	184	51.8
NA	0.0	13.0	17	2.9	14	3.9
Total	100.0	100.0	581	100.0	355	100.0

Source: 2013 and 2014 HMDA LARs, 2013 aggregate data, and 2010 U.S. Census Data

The bank's lending to low-income borrowers in 2013 is significantly less than the percentage of low-income families and less than the aggregate percentage of loans to these borrowers. The fact that 48.9 percent of low-income families have incomes below the poverty level mostly explains the gap between demographic data and the bank and aggregate lending performance. Of the 102 institutions that originated or purchased a loan to a low-income borrower in 2013, the bank ranked 10th with a 2.5 percent market share. The top three lenders to low-income borrowers were Bank of America, N.A. (10.4 percent) Wells Fargo Bank, N.A. (7.7 percent), and RBS Citizens, N.A. (6.3 percent).

The bank's performance slightly exceeded the percentage of moderate-income families and was similar to aggregate performance. Of the 163 institutions that originated or purchased a loan to a moderate-income borrower in 2013, the bank ranked 6th with a 3.1 percent market share. The top three lenders to moderate-income borrowers were Wells Fargo Bank, N.A. (8.6 percent) Bank of America, N.A. (5.5 percent), and RBS Citizens, N.A. (5.0 percent).

Small Business Loans

Table 9 presents the distribution of small business loans by revenue category. The table also includes the percentage of businesses by revenue category for comparative purposes. PeoplesBank's lending demonstrates adequate penetration to businesses of different sizes.

Table 9 Distribution of Small Business Loans by GAR Level						
Gross Annual Revenue	2013 Total Businesses	2013 Aggregate Lending Data	2013 Bank		2014 Bank	
	%	%	#	%	#	%
≤ \$1 Million	72.2	47.4	38	49.4	41	52.6
> \$1 Million/NA	27.8	52.6	39	50.6	37	47.4
Total	100.0	100.0	77	100.0	78	100.0

Source: U.S. Census (2010), Small Business Loan Registers (2013 & 2014), and Aggregate Data (2013)

In 2013, the bank's lending to businesses with GARs of \$1 million or less was significantly less than the percentage of businesses, but slightly exceeded the percentage of aggregate lending. Of the 38 institutions that lent to a business with GARs of \$1 million or less in 2013, the bank ranked 19th with a 1.0 percent market share. The top three lenders were American Express, FSB (29.0 percent), Citibank, N.A. (12.6 percent), and FIA Card Services (10.7 percent).

The bank originated 52.6 percent of loans to businesses with GARs of \$1 million or less in 2014, representing a slight increase from 2013. Despite the increase, the bank's performance was less than the percentage of businesses in this category. Nonetheless, the similar comparison to aggregate data in 2013 and the increasing trend in 2014 reflect reasonable performance.

Community Development Lending

PeoplesBank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending. PeoplesBank made an adequate level of community development loans.

Table 10 Community Development Loans												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
11/8/2011 – 12/31/2011	0	0	1	40	0	0	0	0	0	0	1	40
2012	1	335	0	0	1	4,398	0	0	0	0	2	4,733
2013	0	0	1	50	0	0	0	0	0	0	1	50
2014	2	550	0	0	1	1,325	3	3,825	0	0	6	5,700
1/1/2015 – 5/4/2015	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	885	2	90	2	5,723	3	3,825	0	0	10	10,523

Source: Bank Records

*Targeted to Low- or Moderate-Income Individuals

** In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Community development loans represent 0.8 percent of net loans. The following highlights some of the community development loans made by the bank during the evaluation period:

- In 2012, the bank made a loan to purchase and renovate a multifamily property for affordable housing in Holyoke. The units benefit low- and moderate-income individuals.
- In 2014, the bank made three loans used to develop the Springfield Technology Park. The loans will fund renovations to turn the property into a new charter school, allow an additional existing charter school to move to a permanent location at the technology park, and provide a line of credit for working capital. The renovations serve to revitalize a low-income census tract.

The bank significantly increased its community development lending from the \$1.2 million total at the prior evaluation. These loans responded to a variety of community development needs in the assessment area, with dollar volume particularly targeted to economic development and

revitalization or stabilization of a low-income census tract. The bank's performance is comparable to other large banks in the region with similar conclusions.

Innovative or Flexible Lending Practices

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The bank uses innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. While the majority of programs involve government-related subsidies and guarantees, the bank's first time homebuyer program was particularly successful in serving low- and moderate-income borrowers. The following highlights the various innovative and flexible loan programs offered by the bank.

Home Loans

- **First Time Homebuyer (FTHB) Programs:** The FTHB programs are available to borrowers who have not previously owned a single- or two-family primary residence in Massachusetts. The bank offers three types of FTHB programs: No Income Limited, Income Limited, and a 5/1 Adjustable Rate Mortgage (ARM). The Income Limited program has a maximum borrower income of \$88,695 to qualify. The 5/1 ARM has an interest rate set at .25 percent below the bank's standard 5/1 ARM product. During this evaluation period, PeoplesBank originated 204 loans totaling \$36.2 million under these programs, the majority of which benefitted low- or moderate-income individuals.
- **MassHousing Loan Programs:** PeoplesBank is a MassHousing-approved lender. Loan programs offer low down payments, competitive interest rates, and discounted mortgage insurance. During the evaluation period, PeoplesBank originated 54 loans totaling \$8.8 million through the MassHousing mortgage programs. The community contact referred to these programs as responsive to area credit needs.
- **Federal Housing Association (FHA):** This program offers low down payments and flexible terms. PeoplesBank originated 30 FHA loans totaling \$5.3 million during the evaluation period.
- **Equity Builder Program (EBP):** The program includes a fixed-rate mortgage, and the bank provides a closing cost credit and a waiver of private mortgage insurance. This program also features a forgivable grant from the Federal Home Loan Bank (FHLB) for the closing costs and down payment. The bank originated 29 loans totaling \$3.4 million during the evaluation period. The community contact referred to this program as responsive to area credit needs.

Small Business Loans

The bank offers Small Business Administration (SBA) loans, including the 504 Community Development Corporation (CDC) and 7A loan products. The mission of the SBA is to maintain and strengthen the nation's economy by enabling the establishment and viability of small

businesses and by assisting the economic recovery of communities after disasters. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing.

- **The SBA 7A Program:** This program helps small businesses with expansion, start-up, or typical business expenses. PeoplesBank funds the loan, and the SBA provides a loan guarantee of 75 to 90 percent of the total loan amount, depending on how the proceeds are used. These SBA loans offer smaller down payments, flexible terms, and guarantees. During the evaluation period, the bank originated 1 loan totaling \$75,000 through this program.
- **The SBA 504 CDC Program:** This program was designed to provide financing for the purchase of fixed assets such as real estate, buildings, and machinery. The program works by distributing the loan among three parties: the business owner (10 percent), the financial institution (50 percent), and the SBA (40 percent). The bank originated 4 loans totaling \$6.0 million during the evaluation period.
- **Massachusetts Business Development Corporation Capital Access Plan (CAP):** This program offers loans to create and expand smaller community-based businesses in an effort to create and maintain new jobs. PeoplesBank originated 11 loans totaling \$1.6 million through this program during the evaluation period.

INVESTMENT TEST

The Investment Test evaluates an institution's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. Activities considered under the Lending Test or Service Test may not be considered under the Investment Test.

The Investment Test evaluates institutions pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The bank's Investment Test performance rating is "High Satisfactory." PeoplesBank has a significant level of qualified community development investments and grants. These qualified investments reflect good responsiveness to credit and community development needs. While the investments are not considered innovative and complex, they do support community development initiatives. The bank's involvement with the Massachusetts Housing Investment Corporation (MHIC) New Market Tax Credit Fund best exemplifies the most responsive qualified investments. MHIC is a Community Development Financial Institution (CDFI) Fund. CDFIs provide products and services to populations and businesses located in underserved markets, and they lend responsibly to low-income communities.

During the evaluation period, the bank's qualified investments and grants totaled \$8.4 million, representing 0.4 percent of total assets. Qualified equity investments totaled \$7.4 million and qualified grants totaled \$908,642. Qualified investments increased by 133.3 percent from the previous evaluation, in which qualified investments totaled \$3.6 million. The increase is primarily due to three new period equity investments totaling 6.4 million. The increase in qualified investment occurred despite a decline in total securities since the prior evaluation.

Equity Investments

The table below provides a breakdown of the institution's qualified equity investments by community development purpose and year, followed by a description of highlighted investments:

Table 11 Community Development Equity Investments												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$)
Prior Review Period	4	1,017,684	0	0	0	0	0	0	0	0	4	1,017,684
11/8/2011 – 12/31/2011	0	0	0	0	0	0	0	0	0	0	0	
2012	0	0	0	0	1	1,299,164	0	0	0	0	1	2,029,765
2013	0	0	0	0	1	2,029,765	0	0	0	0	1	1,299,164
2014	0	0	1	3,100,000	0	0	0	0	0	0	1	3,100,000
1/1/2015- 5/4/2015	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	1,017,684	1	3,100,00	2	3,328,929	0	0	0	0	7	\$7,446,613

Source: Bank Records as of 12/31/2014

*Targeted to Low- or Moderate-Income Individuals

**Of Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Current Period Investments

New Market Tax Credit Western Massachusetts Investment Fund, LLC

The objective of the overall fund is for the redevelopment of disadvantaged neighborhoods in Western Massachusetts. Redevelopment projects have included low-and moderate-income geographies throughout the bank's assessment area.

In August 2012, PeoplesBank participated in the MHIC New Markets Western Massachusetts Fund, LLC (the Fund) to benefit Elms College Center for Natural Health and Sciences. PeoplesBank invested \$1.3 million in the Fund, with investments from all participating investors totaling \$8.8 million. The funds were used to construct a five-story building that includes educational facilities, laboratories, operations and lecture halls at Elms College in Chicopee, MA. The construction was completed in January 2014.

In August 2013, PeoplesBank made an additional investment to the same MHIC Fund totaling \$2.0 million to benefit New England Public Radio in Springfield, MA. All participating investors combined for a total investment of \$6.0 million. The funding helped acquire and renovate new headquarters for Western New England Public Radio in downtown Springfield, MA.

Springfield Technical Community College Assistance Corporation Investment Bond

In August 21, 2014, PeoplesBank invested \$3.1 million to purchase a Massachusetts Development Bond for the renovation of a building to house the Phoenix Charter School located at 1 Federal Street in Springfield, MA. Phoenix Charter School is part of a network of three alternative public charter schools that offer at-risk students in Chelsea, Lawrence, and

Springfield nearly unlimited chances to stay on track to graduate from high school and continue on to college. According to the most recent Annual Report for the Phoenix Charter School, 87 percent of the student body are from low-income families.

Prior Period Investments

Additional MHIC Funds

PeoplesBank has investments in three MHIC funds that were made prior to the last evaluation, but remain with the bank. As of December 31, 2014, investments in the MassHousing Equity Fund 1999 and MassHousing Equity Fund XIX had a book value of \$740,091. These funds support low-income housing. In addition, the bank has \$10,926 invested in the MassHousing NMTC Fund II that promotes economic development.

Grants and Donations

The bank's donations are made primarily through the PeoplesBank Community Care Program. The Community Care Program was established for the purpose of supporting the community and charitable organizations.

PeoplesBank extended \$2.1 million in total donations between November 8, 2011 and May 4, 2015. The bank made 194 CRA qualified donations totaling \$908,642, which constitutes 43.3 percent of the total donations made during this period. The donations provided by the Community Care Program assist a variety of services to low- and moderate-income individuals and families. These services include assistance with food, healthcare, education, affordable housing, and the economic development of low- and moderate-income communities. The table below details the bank's community development donations by purpose and year.

Table 12 Grants and Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
11/8/2011– 12/31/2011	0	0	1	30,000	0	0	0	0	0	0	1	30,000
2012	2	16,000	58	196,971	2	12,833	0	0	0	0	62	225,804
2013	3	1,250	38	170,132	3	8,666	1	500	0	0	45	180,548
2014	3	9,500	63	379,940	4	7,050	2	4,500	0	0	72	400,990
1/1/2015- 5/4/2015	0	0	14	71,300	0	0	0	0	0	0	14	71,300
Total	8	26,750	174	848,343	9	28,549	3	5,000	0	0	194	908,642

Source: Bank Records 11/7/2011 through 5/4/2015

*Targeted to Low- or Moderate-Income Individuals

**Of Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

As indicated in the table, the vast majority of donations went to organizations that provide community services to low- and moderate-income individuals and families. In addition to many other organizations, the bank made qualified donations during the evaluation period to the following.

HAP Housing, Inc.

HAP Housing, Inc. is a developer of affordable housing in western MA. The organization provides a wide range of services to tenants, homebuyers, homeowners and rental property owners. HAP Housing assists more than 20,000 households each year. The programs available include consumer education courses for prospective and existing homeowners, counseling for those in foreclosure, affordable housing development and rehabilitation projects, and assistance and guidance to renters and landlords. The donation benefited the bank's assessment area.

Boys and Girls Club of Greater Westfield

The Boys and Girls Club's mission is to inspire and enable all young people, especially those in need, to reach their full potential as productive, caring and responsible citizens. The Boys and Girls Club of Greater Westfield provides: a safe place to learn and grow, ongoing relationships with caring, adult professionals, life-enhancing programs and character development experiences, and hope and opportunity. According to the club's most recent statistics, 67 percent of participants come from a household with income under \$35,000 and 44 percent of the members qualify for free or reduced price school lunches. The donation benefited the bank's assessment area.

The Food Bank of Western MA

One of the core programs of the Food Bank is Brown Bag: Food for Elders. The Food Bank is the largest direct-to-client hunger relief service in western Massachusetts. About 8,500 low-income elders across western Massachusetts' four counties participate in the program, receiving free groceries once a month. The donation to the Food Bank benefited the bank's assessment area and a broader geographical area.

Massachusetts Small Business Development Center

The Massachusetts Small Business Development Center (MSBDC) Network provides comprehensive and confidential business services at no cost. Services focus on business growth and strategies, financing and loan assistance, and strategic, marketing and operational analysis. In addition, MSBDC offers low-cost training programs for small businesses. The donation benefited the bank's assessment area.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services, and the extent and innovativeness of its community development services.

The bank's Service Test performance rating is "High Satisfactory." Delivery systems are reasonably accessible to essentially all portions of the assessment area. To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- or moderate-income individuals. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. The bank provides a relatively high level of qualified community development services within its assessment area that are responsive to assessment area needs and opportunities.

Retail Banking Services

An institution's retail banking services are evaluated pursuant to the following criteria:

- 1) The distribution of the institution's branches among geographies of different income levels;
- 2) The record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;
- 3) The availability and effectiveness of alternate systems for delivering retail banking services; and the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Accessibility of Delivery Systems

The bank's delivery systems, including full-service branches and ATMs, are reasonably accessible to essentially all portions of the assessment area. The bank has standard alternative delivery systems to supplement branch services.

Distribution of Branches

The bank maintains 19 full-service branches and 25 deposit-taking ATMs. Table 13 presents the distribution of assessment area census tracts, population, and bank branches and deposit-taking ATMs by tract income category.

Table 13						
Distribution of Branches and ATMs						
Census Tract Income Category	% of Tracts	% of Population	Full- Service Branches		ATMs	
			#	%	#	%
Low	15.8	13.0	1	5.3	1	4.0
Moderate	19.4	20.7	4	21.1	7	28.0
Middle	33.8	33.9	7	36.8	6	24.0
Upper	29.5	31.9	6	31.5	9	36.0
NA	1.5	0.5	1	5.3	2	8.0
Total	100.0	100.0	19	100.0	25	100.0

Source: Internal Bank Records and 2010 U.S. Census Data

The percentages of branches and ATMs located in low-income tracts are below tract distribution and population percentages. The percentage of branches in moderate-income tracts is similar to demographics, while the bank has a higher percentage of ATMs in these tracts.

Alternative Delivery Systems

PeoplesBank offers its customers online banking and mobile banking services. Alternative delivery systems reflect those typically offered by assessment area banks.

Changes in Branch Locations

To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. PeoplesBank did not close any branches during the evaluation period. In September 2013, the bank opened a branch at 300 King Street in Northampton, MA, which is in a middle-income census tract.

Reasonableness of Hours and Services

Overall, services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income areas or individuals. The hours and services offered at each branch are typical, with some offering extended evening hours. All branches also offer Saturday hours until 2 p.m. Mobile banking, online banking, and ATMs are available 24 hours a day to all customers. Additionally, the bank has bilingual staff available to assist customers as the assessment area has a relatively high Hispanic population.

The bank provides consistent personal banking services at each branch location. PeoplesBank offers deposit services such as checking and savings accounts, money market accounts, and certificate of deposits. There are no monthly maintenance service charges on the bank's Easy Savings account or Easy Savings 18/65 account. PeoplesBank also offers no monthly maintenance services charges for student savings, vacation club savings, and the bank's holiday club savings programs. In addition, the bank offers overdraft privilege options, debit cards, pre-paid cards, credit cards and investment services. Consumer credit products include mortgages, home equity loans, lines of credit, installment loans, and auto loans.

The bank consistently offers financial products for businesses at each branch. These include business checking, savings, and money market accounts. Business services include online banking, mobile banking, cash management, and payroll services. Business credit products include commercial and commercial mortgage loans, business lines of credit, term loans, and Small Business Administration loans.

Community Development Services

An institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;
- 2) the innovativeness of community development services, including whether they serve low- or moderate-income customers in new ways or serve groups of customers not previously served;
- 3) the degree to which they serve LMI areas or individuals; and
- 4) the responsiveness to available opportunities for community development services.

The bank provides a relatively high level of community development services. PeoplesBank officers and representatives serve community-based organizations in a leadership capacity by providing financial and technical expertise. Many of these organizations focus on meeting the community development needs of the assessment area.

The performance conclusion reflects both the number of organizations served and the extent of involvement in these organizations, including Western Massachusetts Economic Development Council and the Massachusetts Fair Housing Center. In addition, personnel provide financial education through a variety of seminars and events. The bank served over 100 organizations during the review period. The bank's services increased significantly in 2014. This is primarily due to its enhanced tracking of community involvement and stronger focus on qualified community development services.

The table below provides the breakdown of community development services by purpose for each year during the review period. All of the services meet the definition of community development, relate to the provision of financial services, and are responsive to the assessment area's community development needs. The paragraphs that follow highlight certain organizations with which bank officers are involved.

Table 14 Community Development Services						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services*	Economic Development	Revitalization or Stabilization**	Neighborhood Stabilization Projects	
	#	#	#	#	#	
11/8/2011-12/31/2012	0	0	0	0	0	0
2012	0	34	10	1	0	45
2013	0	27	0	0	0	27
2014	0	225	0	0	0	225
1/1/2015-5/4/2015	0	0	0	0	0	0
Total	0	286	10	1	0	297

Internal Bank Records 11/8/2011- 5/4/2015

**Targeted to Low- or Moderate-Income Individuals*

***Of Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies*

Western Massachusetts Economic Development Council (EDC)

The president served as a director of the Western Massachusetts Economic Development Council during the review period. The EDC is a private non-profit organization that helps businesses expand, relocate, and succeeds in western Massachusetts. Through the EDC's programs these businesses supply job opportunities to the community.

The Care Center

The first vice president of corporate responsibility provides financial expertise as a director. Located in Holyoke, it is an alternative education program helping young mothers, most who are from low-income families, obtain an education.

Human Resources Unlimited (HRU)

An executive vice president of residential lending provides financial expertise as a board member. The organization is located in Springfield and serves Westfield, Southbridge, Springfield, Holyoke and Pittsfield. HRU helps individuals with disabilities or in poverty participate in community activities or find employment. HRU serves more than 1,500 people per year.

The Gray House

An assistant vice president and regional manager provides financial expertise as a board member and a member of the finance committee. Located in Springfield, it provides food, clothing and educational services to low-income individuals in the North End of Springfield. The Gray House offers a food pantry, thrift shop, adult education program, and kids club.

Massachusetts Fair Housing Center (MFHC)

A senior vice president of lending provides financial expertise as a director. MFHC supports affordable housing and provides public education on fair housing and fair lending issues. The organization offers trainings for first time homebuyers, community groups, healthcare providers, tenants, and property owners.

Most recently, the MFHC has introduced the Housing Mobility Support (HMS) Program. The HMS Program began in summer 2014 with the support of the Holyoke Housing Authority. The program helps Section 8 recipients obtain housing and utilize resources in their new neighborhood.

Greater Springfield Habitat for Humanity

A senior vice president of lending provides financial expertise as a member of the finance and investment committee. This nonprofit organization builds low-cost homes for low-income families.

Educational Services and Financial Literacy

PeoplesBank employees facilitated financial literacy programs for students ranging from kindergarten to high school, and to local organizations including the Valley Community Development Corporation (Valley CDC) and the Housing Assistance Program. The bank tailors programs to the audience's needs. The primary purpose of these programs is to emphasize saving and developing smart spending habits. The programs cover topics such as basic savings and spending practices and general discussions about types of credit. During the examination period, the bank led 19 educational seminars and financial literacy trainings that primarily benefitted low- and moderate-income individuals.

In 2012, the bank's 314 High Street, Holyoke branch hosted a first time homebuyer series presented by the Holyoke Housing Authority. The series consisted of three separate sessions. A mortgage consultant from the bank presented throughout the series. Topics included the mortgage application process, credit, shopping for a mortgage, financing and closing costs. The series primarily benefitted low- and moderate-income individuals.

In the fall 2012, PeoplesBank sponsored and hosted a small business workshop entitled "Understanding Your Company's Cash Flow" at the bank's headquarters at 330 Whitney Ave in Holyoke.

In 2013 and 2014, PeoplesBank sponsored multiple first time homebuyer seminars at the Valley CDC. The non-profit corporation formed to address the growing needs of low- and moderate-income people through developing and preserving affordable rental and ownership housing, cultivating economic self-sufficiency, and fostering community leadership. Valley CDC is located in Northampton, MA. The service area is comprised of Northampton, Easthampton, Amherst, and Hadley. The seminars primarily benefitted low- and moderate-income individuals.

In 2014, bank employees participated in nine Credit for Life Fairs in Holyoke, Chicopee, and Springfield. This program is a financial education opportunity for high school students to learn the basics of personal finance. Students participate in an interactive fair where they are given a "salary" and must visit vendors to decide what lifestyle choices their budget allows. The fairs receive CRA consideration since they occurred at schools where 50 percent or more of the students qualify for free- or reduced-cost school lunches.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiner review did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The bank's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the bank's loan policy are procedures for the second review process of denied loan applications.

Minority Application Flow

According to the 2010 U.S. Census data, in 2013 the bank's assessment area contained a total population of 621,570 individuals of which 27.5 percent are minorities. The assessment area's racial and ethnic minority population is 2.6 percent Asian, 16.8 percent Hispanic or Latino, 6.3 percent Black/African American, 0.1 percent American Indian, and 1.7 percent other race.

For 2013 and 2014, the bank received 1,349 HMDA-reportable loan applications within its assessment area. Of these applications, 128 or 9.4 percent were received from racial minority applicants, of which 88 or 68.7 percent resulted in originations. For the same period, the bank also received 92 applications from ethnic groups of Hispanic origin within its assessment area, of which 50 or 54.3 percent resulted in originations.

The bank's level of lending was compared with the aggregate lending performance level for 2013, the most recent year for which data was available. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. The following table details the minority application flow.

MINORITY APPLICATION FLOW					
RACE	2013 PeoplesBank		2013 Aggregate Data	2014 PeoplesBank	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.3	4	0.9
<i>Asian</i>	39	4.6	1.6	26	5.3
<i>Black/ African American</i>	14	1.6	2.9	12	2.4
<i>Hawaiian/Pac Isl.</i>	1	0.1	0.3	1	0.2
<i>2 or more Minority</i>	1	0.1	0.1	2	0.4
<i>Joint Race (White/Minority)</i>	22	2.6	1.0	6	1.2
Total Minority	77	9.0	6.2	51	10.4
<i>White</i>	754	87.9	74.7	431	87.6
<i>Race Not Available</i>	26	3.1	19.1	10	2.0
Total	857	100.00	100.00	492	100.00
ETHNICITY	#	%	% of #	#	%
<i>Hispanic or Latino</i>	39	4.5	5.3	35	7.1
<i>Not Hispanic or Latino</i>	784	91.5	74.7	440	89.6
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	10	1.2	1.1	8	1.6
<i>Ethnicity Not Available</i>	24	2.8	18.9	9	1.8
Total	857	100.00	100.00	492	100.00

Source: 2013 and 2014 HMDA LAR, 2013 HMDA Aggregate Data, 2010 U.S. Census Data

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is reasonable.

APPENDIX B

Scope of Examination

PeoplesBank			
SCOPE OF EXAMINATION: Examiners used Large Bank CRA Examination Procedures.			
TIME PERIOD REVIEWED: The FDIC evaluated home mortgage and small business loans originated and purchased by the bank in 2013 and 2014. In addition, community development loans, innovative and flexible lending products, qualified investments and donations, and services from November 8, 2011 through May 4, 2015 were considered.			
PRODUCTS REVIEWED: Home purchase, refinances, and home improvement loans reported on the bank’s HMDA LAR. We also reviewed small business loans reported on the bank’s CRA loan register.			
LIST OF AFFILIATES AND PRODUCTS REVIEWED			
AFFILIATE(S):		AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
PBHQ Whitney, Inc.		Subsidiary	None
Arundo, Inc.		Subsidiary	None
TNOP, Inc.		Subsidiary	None
PB Partners, Inc.		Subsidiary	None
NEFWC, Inc.		Subsidiary	None
LIST OF ASSESSMENT AREA AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EVALUATION:	BRANCHES VISITED:	OTHER INFORMATION:
MSA Springfield, MA	Full-scope	One	NA

APPENDIX C

Loss of Affordable Housing

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

PeoplesBank's development of credit products with flexible lending criteria, participation in flexible lending programs, lending to low- and moderate-income borrowers, and the restructuring and modification of residential real estate loans has assisted low- and moderate-income individuals to remain in their neighborhoods.

APPENDIX D

Glossary

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to

individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many

households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Division and FDIC, at 770 Oak Street, Brockton, Massachusetts 02301".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.